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CLERK

**IN THE DISTRICT COURT OF THE SIXTH JUDICIAL DISTRICT
OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF FRANKLIN**

STATE OF IDAHO, DEPARTMENT OF)
FINANCE, SECURITIES BUREAU,)

Plaintiff,)

vs.)

GALAXY FINANCIAL SERVICES, INC.,)
SILVER STATE MOBILE HOMES, INC.,)
V.J. ENTERPRISES, INC., ROBERT)
SWICK, and MARK VICTOR JOHNSON,)

Defendants.)
_____)

Case No. CV-03-21

VERIFIED COMPLAINT

Fee category: Exempt

COMES NOW the State of Idaho, Department of Finance, Gavin M. Gee, Director, by
and through counsel, to complain and allege as follows on information and belief:

1.

This action is brought pursuant to the Idaho Securities Act, Title 30, Chapter 14, Idaho
Code (the Act), and in particular Idaho Code § 30-1442, wherein the Director is authorized to

bring actions seeking injunctive and other relief against persons who have either violated or are about to violate provisions of the Act or any rule promulgated thereunder.

2.

The acts and practices alleged herein comprising violations of law by the above-named Defendants occurred in the conduct of trade and commerce in Franklin County, and elsewhere in the state of Idaho.

DEFENDANTS

3.

The Defendant Galaxy Financial Services, Inc. (Galaxy) is a Nevada corporation whose last known address is 4904 E. Tropicana Blvd., Las Vegas, Nevada 89121.

4.

The Defendant Silver State Mobile Homes, Inc., (Silver State) is a Nevada corporation whose last known address is 4904 E. Tropicana Blvd., Las Vegas, Nevada 89121.

5.

The Defendant V.J. Enterprises, Inc. (V.J. Enterprises) is a Utah corporation whose last known address is 401 Yacht Drive, Garden City, Utah 84028.

6.

The Defendant Robert Swick is an individual whose last known address is 2001 Madagascar Lane, Las Vegas, Nevada 89121. At all times relevant to this complaint Robert Swick was an officer or other control person of Galaxy and Silver State.

7.

The Defendant Mark Victor Johnson (Mark Johnson) is an individual whose last known address is 401 Yacht Drive, Garden City, Utah 84028. At all times relevant to this complaint Mark Johnson was an officer or other control person of V.J. Enterprises, Inc.

FACTS

8.

Beginning on a date uncertain, but at least as early as November 1999, the Defendants offered and sold unregistered securities to investors in Idaho. The securities promoted, offered, and sold by the Defendants to investors in Idaho were short-term, high yield promissory notes (the Galaxy Promissory Notes).

9.

As an inducement to attract investors, the Defendants represented to potential investors that purchase of Galaxy Promissory Notes was safe and would result in limited risk to the investor.

10.

In connection with the offer or sale of securities in Idaho, the Defendants made false statements of material fact and omitted to state material facts necessary in order to make the statements made not misleading.

11.

The Defendants raised at least \$194,000.00 from Idaho residents for investment in Galaxy Promissory Notes.

COUNT ONE: FAILURE TO REGISTER SECURITIES

12.

The allegations contained in paragraphs 1 through 11 are hereby realleged as if fully set forth.

13.

Beginning on a date uncertain, but at least since November 1999, the Defendants offered or sold, either directly or indirectly, or aided and abetted in the offer or sale, to Idaho residents, through advertisements and oral solicitations, securities in the form of Galaxy Promissory Notes.

14.

The securities offered by the Defendants were not registered with the Department of Finance as required by Idaho Code § 30-1416.

15.

The Defendants have violated Idaho Code § 30-1416.

**COUNT TWO: FAILURE TO REGISTER AS
BROKER-DEALERS OR SALESMEN**

16.

The allegations contained in paragraphs 1 through 15 are hereby realleged as if fully set forth.

17.

At no time pertinent to the period of time alleged herein have any of the Defendants been licensed by the Department of Finance as broker-dealers or salesmen to offer for sale securities as required by Idaho Code § 30-1406(1). Therefore, the Defendants have either transacted

business in this state as broker-dealers or salesmen without having been registered, or have acted as broker-dealers or issuers, and employed salesmen who were not registered under the Act.

18.

The Defendants have violated Idaho Code § 30-1406(1).

**COUNT THREE: VIOLATIONS OF IDAHO CODE § 30-1403(2),
AN ANTI-FRAUD PROVISION OF THE ACT**

19.

The allegations contained in paragraphs 1 through 18 are hereby realleged as if fully set forth.

20.

The Defendants offered and sold securities to individuals in this state in violation of an antifraud provision of the Idaho Securities Act, Idaho Code § 30-1403(2), in that they made false statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

21.

The false statements of the Defendants include, but are not limited to, the following:

- A. The Galaxy Promissory Note interests the Defendants offered and sold in Idaho were represented as being very safe and fully secured against loss;
- B. The Galaxy Promissory Note investment documents provided to Idaho investors falsely state, "this note and collateral for said note is excluded from any legal action including Chapters 13, 7 and 11;"

- C. Defendants represented to one or more Idaho investors that mobile home titles would include investors' name as lien holders on said titles when, in fact, investors' names never appeared on the titles.

22.

Material omissions of the Defendants, in connection with the offer and sale of securities in Idaho, include but are not limited to the following:

- A. Failure by the Defendants to disclose the financial condition of Galaxy;
- B. Failure by the Defendants to disclose the financial condition of Silver State;
- C. Failure by the Defendants to disclose the risks associated with an investment in the Galaxy Promissory Notes, including:
 - 1. the potential risk of a total loss on the investment;
 - 2. the risks associated with bridge financing transactions; and
 - 3. the risks associated with title assignments;
- D. Failure by the Defendants to disclose the history of Robert Swick, including Swick's experience with affiliated companies in raising funds and repaying such;
- E. Failure by the Defendants to disclose that some mobile home titles and sales contracts might be pledged to more than one investor;
- F. Failure by the Defendants to disclose that Robert Swick might use Galaxy or Silver State corporate funds to pay personal "gaming markers;"
- G. Failure by the Defendants to disclose outstanding litigation against some or all of the Defendants;

- H. Failure by the Defendants to completely and accurately disclose the ownership and control of Galaxy and Silver State;
- I. Failure by the Defendants to disclose the amount of note obligations outstanding at or near the time of the investment offer and sale;
- J. Failure by the Defendants to disclose that Galaxy Promissory Notes were not registered securities in Idaho as required by the Idaho Securities Act;
- K. Failure by the Defendants to disclose that Galaxy Promissory Note sales agents were not registered as broker-dealers or salespersons as required by the Idaho Securities Act.

23.

The Defendants have violated Idaho Code § 30-1403(2).

**COUNT FOUR: VIOLATIONS OF IDAHO CODE § 30-1403(3),
AN ANTI-FRAUD PROVISION OF THE ACT**

24.

The allegations contained in paragraphs 1 through 23 are hereby realleged as if fully set forth.

25.

In connection with the offer and sale of securities, the Defendants engaged in acts, practices and courses of business that operated as a deceit upon persons, in violation of Idaho Code § 30-1403(3). Defendants' acts, practices, and courses of business, which operated as a fraud or deceit include, but are not limited to, the pattern of material false statements and omissions referred to in Count Three, above.

26.

The Defendants have violated Idaho Code § 30-1403(3).

COUNT FIVE: LIABILITY FOR AIDING AND ABETTING

27.

The allegations contained in paragraphs 1 through 26 are hereby realleged as if fully set forth.

28.

At all times relevant to this complaint, Defendant Robert Swick, while acting as an officer or other control person of Galaxy and Silver State, participated in, or aided and abetted others in, violations of the Idaho Securities Act as alleged in Counts One, Two, Three, and Four above.

29.

Defendant Robert Swick is liable for sanctions pursuant to Idaho Code § 30-1442(4).

PRAYER FOR RELIEF

Wherefore, Plaintiff prays for a Judgment in favor of Plaintiff and against the Defendants as follows:

- A. That the Defendants be adjudged to have violated the Idaho Securities Act.
- B. That the Defendants be permanently enjoined from engaging in any acts, practices or omissions which would constitute violations of the Idaho Securities Act, Title 30, Chapter 14, Idaho Code, and in particular, that they be permanently enjoined from:

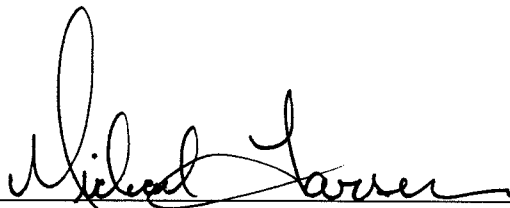
1. Selling or offering for sale nonexempt securities in any form in the state of Idaho until such time as the securities have been registered with the Idaho Department of Finance in accordance with Title 30, Chapter 14, Idaho Code;
 2. Selling or offering for sale nonexempt securities in any form in the state of Idaho until such time as the Defendants have registered as broker-dealers or salesmen for a broker-dealer or issuer with the Idaho Department of Finance, in accordance with Title 30, Chapter 14, Idaho Code;
 3. While engaged in or in connection with the offer, sale or purchase of any security:
 - (a) Employing any device, scheme or artifice to defraud any investors in the securities;
 - (b) Making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;
 - (c) Engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.
 4. Aiding, abetting, counseling, inducing or causing any other person to engage in any of the types of conduct described in paragraphs 1, 2, or 3, above.
- C. That the Defendants be prohibited from claiming the availability of, using, or offering or selling securities, under any exemptions under the Idaho Securities Act without receiving the prior written consent of the Director.
- D. That the Defendants be ordered to restore to each person in interest any consideration which may have been acquired or transferred in violation of the Idaho Securities Act, and if judgment is taken by default herein, that \$194,000.00 is a reasonable restitution order.

E. That the Defendants be ordered to pay a civil penalty to Plaintiff in an amount of \$10,000 for each violation of the Idaho Securities Act.

F. That Plaintiff be awarded attorney's fees and costs incurred in the preparation and the prosecution of this action, and if judgment is taken by default herein, that \$5,000 is a reasonable attorney's fee.

G. Such other and further relief as this Court may deem equitable and just.

DATED this 8th day of January, 2003.


MICHAEL LARSEN
Deputy Attorney General
Department of Finance

VERIFICATION

STATE OF IDAHO)
) ss:
County of Ada)

MARILYN T. CHASTAIN, Bureau Chief of the Securities Bureau of the Idaho Department of Finance, being first duly sworn, deposes and says:


That she has read the foregoing verified complaint; that she knows the contents thereof, and that the same are true to the best of her knowledge.

DATED this 8th day of January, 2003.



MARILYN T. CHASTAIN

SUBSCRIBED AND SWORN to before me this 8th day of January, 2003.



NOTARY PUBLIC FOR IDAHO
Residing at:
My Commission expires:

